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INTRODUCTION

The Office of Internal Audit performed an audit of Emmet/Charlevoix County DHS for the period April 1, 2007 through March 31, 2008. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Emmet/Charlevoix County DHS had 38 full-time equated positions (FTE's) at the time of our review. Emmet County DHS provided assistance to an average 3,028 recipients per month in FY 2007, with total assistance payments of \$3,942,089 for the fiscal year. Charlevoix County DHS provided assistance to an average 1918 recipients per month in FY 2007, with total assistance payments of \$2,417,575 for the fiscal year.

Emmet/Charlevoix County DHS are Non-Business Offices. All disbursements and cash receipts are sent to the Regional Accounting Unit in Oscoda County for processing and recording on LASR.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Emmet/Charlevoix County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Procurement Card

CIMS/ASSIST/LASR

Payroll and Timekeeping

Cash Receipts

Cash Disbursements

Controlled Documents

State Emergency Relief (SER)

Direct Support Services

Client Processing

EXECUTIVE SUMMARY

Based on our audit, we conclude that Emmet/Charlevoix County DHS internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no material instances of noncompliance with control procedures for Procurement Card, CIMS/ASSIST/LASR, Payroll and Timekeeping, Cash Receipts, Cash Disbursements, State Emergency Relief, or Client Processing. However, we did find instances of noncompliance with DHS policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Emmet/Charlevoix County DHS has reviewed all findings and recommendations included in this report. They indicated in an e-mail dated June 16, 2008 that they are in general agreement with the report and have implemented corrective action for all findings.

FINDINGS AND RECOMMENDATIONS

Direct Support Services

Emmet/Charlevoix -Missing Case Record Documentation

1. Emmet/Charlevoix County DHS did not follow established policy for the preparation of case record documents in determining eligibility for Direct Support Services (DSS).

Eight Emmet/Charlevoix County DHS payments were selected for case record examination to determine that the case record contained the appropriate documents relating to the Direct Support Services payment. Four of the eight cases examined did not have all of the required documents. One of the four cases did not have proof of ownership for a car repair. One of the four cases did not have a valid drivers' license, and all four cases did not have documentation of need or reason, or the Support Services Determination (DHS-4749) on file.

PEM 232 requires the case record to contain the documents in order to determine eligibility and to document the Direct Support Services payments.

Lack of the proper documentation to determine eligibility and support a payment increases the risk of improper payments.

WE RECOMMEND that Emmet/Charlevoix County DHS follow established Direct Support Services policy PEM 232 and file all of the required documents in the case record.

Safe and Controlled Documents

Controlled Documents Logs

2. Emmet/Charlevoix DHS did not prepare the Controlled Document Log (DHS-4070) for phone cards and gas cards. Accounting Manual Item 403 states that the local office must maintain a separate log for each negotiable document.

WE RECOMMEND that Emmet/Charlevoix prepare and maintain the Controlled Document Log (DHS-4070) for phone cards and gas cards.